

Issues Affecting New Mexico's Foregone Revenue from E-Commerce

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2007 National E-commerce Estimates

	E-Commerce Value	Percent of Total Value	Percent of All E-Commerce	Annual Growth
Manufacturing	\$1.9 trillion	35%	58%	14%
Wholesale<1>	\$1.2 trillion	21%	36%	9%
Retail	\$0.1 trillion	3%	3%	24%
Services	\$0.1 trillion	2%	3%	16%
Total	\$3.3 trillion	15%	100%	15%

Source: U.S. Census Bureau, *E-Stats*, www.census.gov/estats

<1> Includes \$0.5 trillion by manufacturer's sales outlets.

2007 National E-commerce Estimates

Dollar amounts in trillions

	Business-to-business	Business-to-consumer	Total
U.S. Census <1>	\$3.1	\$0.3	\$3.3
CA Bd. Of Equal.<2>	\$1.2	\$0.1	\$1.3
Bruce, et al. <3>	\$2.3	\$0.2	\$2.5
<i>Range</i>	<i>\$1.2 - \$2.3</i>	<i>\$0.1 - \$0.2</i>	<i>\$1.3 - \$2.5</i>

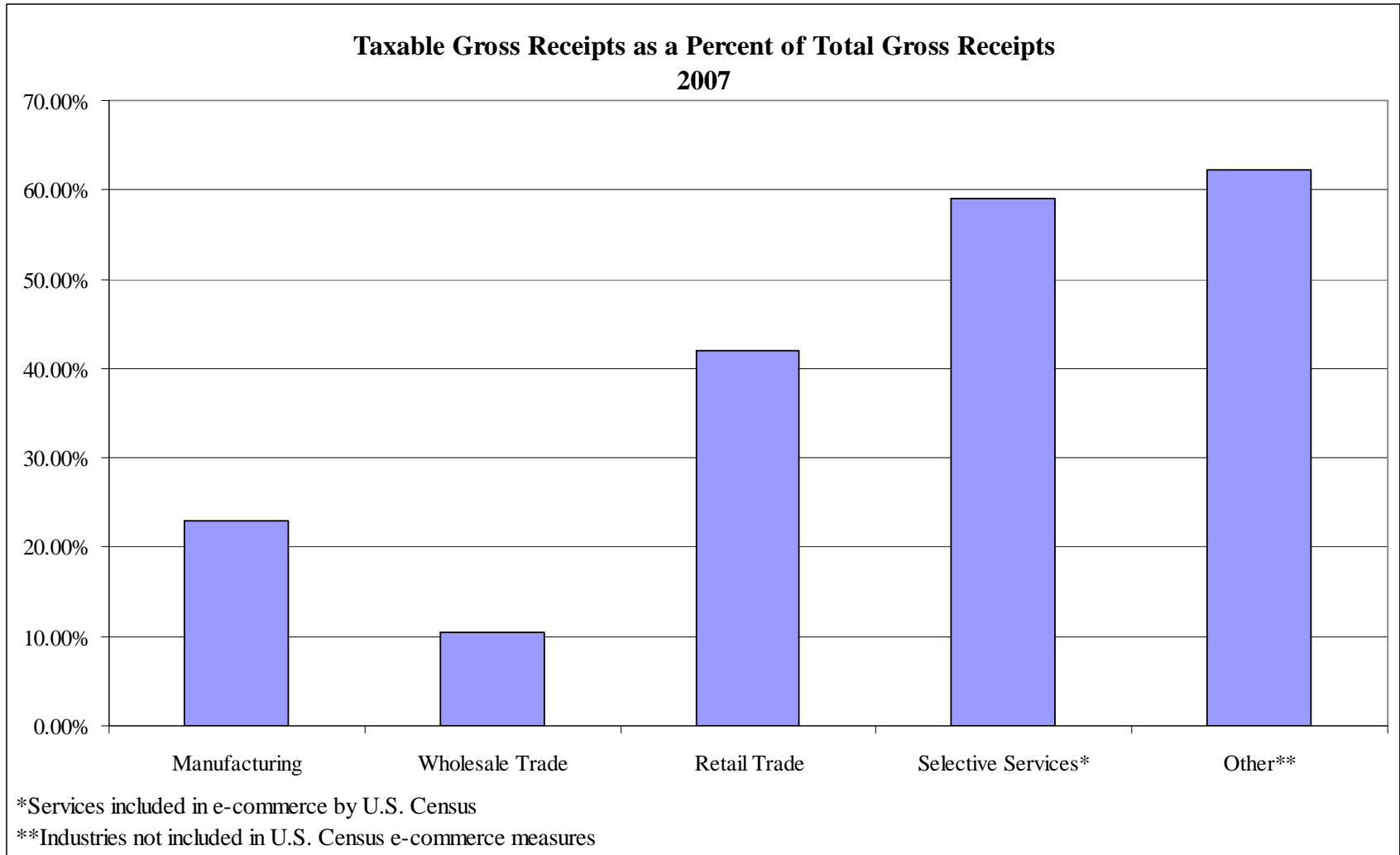
<1> 100% of Retail & Services = B2C; 100% Manuf. & Wholesale = B2B

<2> Excludes Manuf. due to double-counting or generally not subject to tax

<3> Manuf. & Wholesale = 100% B2B, Retail 100% B2C and Services 50/50

Conclusion: Over 90% of all e-commerce sales = B2B

Taxable Share of Gross Receipts



Taxable Share of E-commerce Transactions

	B2B	B2C
Bruce, et al.	13%	70%
CA Bd. Of Equalization <1>	40%	70%
New Mexico Estimate<2,3>	15%	55%

<1> Assumed B2B base limited to Wholesale only.

<2> B2B: Weighted average taxable share for Manufacturing & Wholesale.

<3> B2C: Weighted average for Retail & Services. Not adjusted for
Compensating Tax estoppel.

Present Law Compliance

	B2B	B2C
Bruce, et al.<1>	50% - 75%	18%
CA Bd. of Equalization	80%	64%
New Mexico Estimate<2>	50%	13%

<1> Assumed 50/50 split between sales and use tax liability. Sales tax compliance = weighted average by vendor size. Use tax compliance = 75% (B2B), 5% B2C.

<2> NM B2B & B2C compliance assumes 50/50 sales/use tax liability and sales tax compliance rate from Bruce, et al., Comp. Tax compliance assumed 75% on B2B and 0% on B2C due to estoppel.

New Mexico E-commerce Revenue

Dollar Amounts in Millions

	B2B	B2C
NM E-commerce <1>	\$6,600 - \$12,650	\$550 - \$1,100
Tax Due <2>	\$50 - \$95	\$15 - \$30
Tax Paid <3>	\$25 - \$48	\$2 - \$4
Tax Not Paid	\$25 - \$48	\$13 - \$26

<1> Total U.S. E-commerce times (NM Income/U.S. Income)

<2> E-commerce sales times taxable share times 5% tax rate.

<3> Tax due times compliance percentage.

2007 Out-of-State GRT by Industry and Compensating Tax

Dollar amounts in millions

Manufacturing	\$14.4
Wholesale Trade	\$32.6
Retail Trade	\$42.9
Selected Services	\$14.5
All Other	\$66.9
Compensating Tax	\$77.4

- *Out-of-State GRT includes non-remote sales*
- *Remote commerce that is not e-commerce could be a significant portion of remote commerce*

Conclusions and Future Expectations

- Tax base growth probably small over last 2 years but probably fast growth over longer time periods
- Little information is available on other remote sales (e.g. catalog sales).
- Bottom line, applying assumptions to NM for 2007:
 - B2B tax gap appears to be less than \$50 million, B2C perhaps half that
 - But 100% compliance is impossible and estimates are highly uncertain
- Various sources suggest that remote vendor compliance is improving over time

References

- U.S. Census Bureau, E-Stats, www.census.gov/estats
- Donald Bruce, William F. Fox and LeAnn Luna, “State and Local Government Sales Tax Revenue Losses from Electronic Commerce,” University of Tennessee.
- California Board of Equalization, *Revenue Estimate: Electronic Commerce and Mail Order Sales*.